

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2013-1

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued October 23, 2012)

To clarify the basis of the Postal Service's estimates in its Notice of Market-Dominant Price Adjustment the Commission requests the Postal Service to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than October 26, 2012.

First-Class

1. For the discount between Nonautomation Presort Cards and Automation Mixed AADC Presort Cards and the discount for ADC Presort Flats, the Postal Service identifies the exception claimed under 39 U.S.C. 3622(e)(2)(B) as justification for the passthroughs exceeding 100 percent.
 - a. Please explain how this exception applies to these discounts. Provide qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support use of this exception.
 - b. For each of these discounts, please provide a schedule for phasing out the amount of the discount above costs avoided.

Standard Mail

2. In USPS-LR-R2013-1/2, CAPCALC-STD-R2013.xls, tab: Description, the Postal Service explains that it adjusted its hybrid billing determinants for (i) the new Simple Samples price structure; and (ii) the introduction of High Density Plus price tier.
 - a. Please explain the assumptions and methodology used to distribute the hybrid billing determinants to the new Simple Samples price structure. Specifically, please refer to tabs: Parcels-Regular Samples Wts., cells A20:E33 and Parcels-NP Samples Wts., cells A20:E33. Please provide all supporting workpapers used to develop these assumptions.
 - b. Please explain the methodology used to arrive at the High Density Plus hybrid billing determinants included on tabs: HD-Sat-CR Com. Cap Wts. cells C9:Q9 and C15:Q15, and HD-Sat-CR NP Cap Wts. cells C9:Q9 and C15:Q15. Provide all supporting workpapers used to develop these assumptions.
3. Please refer to USPS-LR-R2013-1/2, Mail to Mobile Promotions-STD-R2013.xls, tabs: Promotional Vol Comm LFP, Promotional Vol NP LFP, Promotional, Promotional Vol NP HD SAT CR, Vol Comm HD SAT CR and U. Please confirm that in each of these tabs, promotional pieces and pounds are calculated based on the ratio of promotional product pieces to total product pieces and pounds (i.e. promotional pieces/(total pieces + total pounds)).
 - a. If confirmed, please provide the rationale for summing total pieces and pounds in the denominator, rather than total pieces only.
 - b. If not confirmed, please explain.
4. Please refer to USPS-LR-R2013-1/6.
 - a. Please provide the 2011 Household Diary Study.
 - b. Please provide the FY 2012 CONFIRM/IMb Tracing scan data.

5. The Postal Service proposes a new workshare discount called High Density Plus. Notice at 26.
 - a. Pursuant to 39 CFR 3010.14(c), please provide:
 - i. A statement explaining reasons for establishing the discount;
 - ii. All data, economic analyses, and other information relied on to justify the discount; and
 - iii. A certification based on comprehensive, competent analyses that the discount will not adversely affect either the rates or the service levels of users of postal services who do not take advantage of the discount.
 - b. Please provide an explanation of why Carrier Route is the appropriate benchmark for High Density Plus. Please identify the type of mail likely to covert to High Density Plus in the response.
 - c. Please indicate when the Postal Service will propose a methodology to calculate a unit cost avoidance for High Density Plus.

Standard Mail EDDM—R and Picture Permit

6. As the Postal Service describes on page 27 of its Notice, the Commission recently approved the addition of Every Door Direct Mail--Retail (EDDM—R) as a new product and Picture Permit Imprint as a new price category in Dockets No. MC2012-31 and R2012-7, respectively. The Postal Service includes prices for EDDM—R and Picture Permit Imprint in its Standard Mail price cap calculation workpapers, but does not include any volumes. Therefore these prices are not taken into account in the Standard Mail price cap calculations.
 - a. Please provide a discussion of why the Postal Service chose to account for EDDM—R and Picture Permit in this manner. In that discussion, please explain whether volume data is available for EDDM—R and Picture

- b. Please explain how the treatment of EDDM—R and Picture Permit Imprint for price cap calculation purposes is consistent with the treatment of Mobile Coupon and Click-to-Call, Earned Value Reply Mail, Emerging Technology, and Mobile Buy-it-Now in the current docket.
- c. Please explain how the Postal Service proposes to use experimental product data for price cap purposes if an experimental product transitions to a permanent product.

Package Services

- 7. Please refer to Excel file “Attachment B Workshare_Final.xls,” tab ‘Media Mail & Library Mail,’ which shows the discounts for Library Mail as the following: Basic, \$0.47; and 5-Digit, \$0.39. Please confirm that the discounts should be \$0.44 (\$2.40-\$1.96) and \$0.37 (\$1.96-\$1.59), respectively. If not confirmed, please explain.
- 8. Please refer to Excel file “CAPCALC-PSVC-R2013.xls,” tab ‘MM & LM Revs. @ Current Prices,’ which shows, among other things, current presort Library Mail additional pound rates. The rates listed in cells E42 and E43 are different from the rates approved in Docket No. R2012-3. Please reconcile the 2012 rates listed in the table below:

Library Mail	USPS-R2013-1/4 2012 Rate	USPS-R2012-3/4 2012 Rate
Additional Pounds		
Second through Seventh Pounds	\$0.39	\$0.40
Eighth Pound and over	\$0.37	\$0.38

9. Please reconcile the following BPM Parcel workshare discount figures:

BPM Parcels	Attachment B Discount (\$) [1]	Audited Discount (\$) [2]	Calculation [3]
Presort Piece Rate			
Basic	0.67	0.64	= 2.13 – 1.49
Presort Pound Rates			
Zone 1&2	0.050	0.059	= 0.23 – 0.171
Zone 3	0.056	0.066	= 0.27 – 0.204
Zone 4	0.053	0.063	= 0.31 – 0.247
Zone 6	0.054	0.064	= 0.45 – 0.386
Zone 7	0.036	0.046	= 0.49 – 0.444
Zone 8	0.047	0.046	= 0.63 – 0.584
DDU Dropship	0.762	0.765	= 1.490 – 0.725

Notes:

[1] Attachment B Workshare_Final.xls, tab "Bound Printed Matter Parcels"

[2] Calculated using [3]

[3] Presort -- Compare CAPCALC-PSVC-R2013.xls, tab "New BPM SP Parcels Price," row 34 to Attachment A, Schedule 1420; Dropship -- Attachment A, Schedule 1420

10. Please refer to the table below which displays quarterly billing determinant volumes for selected single-piece Media Mail and Library Mail rate categories.¹ The summation of the quarterly volumes differs from the hybrid-year volume provided in library reference USPS-R2013-1/4, Excel file "CAPCALC-PSVC-R2013.xls," worksheet 'FY2011Q4-FY2012Q3 MM & LM BDs.' Please reconcile the difference in volumes (column 5 versus column 6), and explain what caused this discrepancy.

¹ See Market-Dominant Products Billing Determinants FY 2011 Quarter 4; March 14, 2012; Market-Dominant Products Billing Determinants FY 2012 Quarter 1, March 14, 2012; Billing Determinants for Quarter 2 of FY 2012 – Market-Dominant Products Billing Determinants and International Market-Dominant Billing Determinants May 31, 2012; Billing Determinants for Quarter 3, FY 2012 – Market-Dominant Products and International Market-Dominant Products Billing Determinants, October 1, 2012.

	FY 2011 Q4 [1]	FY 2012 Q1 [2]	FY 2012 Q2 [3]	FY 2012 Q3 [4]	Total [5]	USPS-R2013-1/4 [6]
Media Mail						
First Pound						
Pieces	5,279,757	5,690,634	5,297,251	4,614,447	20,882,089	20,882,199
Library Mail						
First Pound						
Pieces	462,639	465,799	305,808	130	1,234,376	1,216,329
Non-Barcoded Pounds	1,522,934	1,591,314	1,534,342	1,532,726	6,181,316	6,089,826
Second through Seventh Pounds						
Pieces	1,050,205	1,083,786	1,209,496	1,545,287	4,888,774	4,817,396
Postage Pounds	2,026,661	2,469,522	2,469,341	2,582,437	9,547,961	9,398,693
Eight Pound and Over						
Pieces	32,017	75,372	34,991	2,025	144,405	142,341
Postage Pounds	183,505	517,910	546,156	58,003	1,305,573	1,273,343

Special Services

11. Please explain the discrepancy between the LacLink (Locatable Address Conversion System Product) quarterly billing determinants for the hybrid year and USPS-LR-2013-1/5, “CAPCALC-SpecServ -R2013-1.xls,” worksheet -- “LacLink.” Please identify where the volumes and revenues for Data Distributor and End User are included in the “Change Calc” worksheet.

LacLink	Hybrid Year Billing Determinants		USPS-LR-2013-1/5	
	Volume	Revenue	Volume	Revenue
Data Distributor / Year	32	\$9,636	0	0
End User / Year	5	\$1,550	0	0

12. The following refers to USPS-LR-R2013-1/5.xls, “CAPCALC-SpecServ-R2013-1.xls,” worksheet -- “Merchandise Return.” Please confirm that the total number of transactions, excluding accounting and permit fees should be 18,644,038 and not 16,703,844. If you are unable to confirm, please explain.

13. For Bulk Insurance, please provide the number of transactions by bulk insurance value and include the current and proposed rates for each bulk insurance price range.
14. The following refers to USPS-LR-R2013-1/5.xls, “CAPCALC-SpecServ-R2013-1.xls,” worksheet -- “Carrier Route.” Please explain why the ACY Licensing Revenue is not included in the total revenues for “Carrier Route.”
15. The following refers to the proposed Mail Classification Changes. Please confirm that the Postal Service has discontinued and no longer offers the following product: 1515.20 – Barcode Certification. If you are unable to confirm, please explain and update USPS-LR-R2013-1/5 as appropriate.

International

16. Please refer to the Notice at page 54, which proposes to add a handling charge for foreign-origin, inbound direct entry of First-Class Mail Single-Piece Machinable Letters, Postcards, Flats, and Parcels. Also, please refer to the Notice, Attachment A, at pages 4, 5, 13, and 15, under the heading Notes, which includes the following text:

“A handling charge of \$0.001 per piece applies to foreign-origin, inbound direct entry mail tendered by foreign postal operators, subject to the terms of an authorization agreement.”

- a. Please explain why the text of the Note, above, is included under the domestic First-Class Mail product, rather than the First-Class Mail, Inbound Letter Post product.
- b. Please explain why the text of the Note, above, is included under the First-Class Mail single-piece price schedules for machinable letters, postcards, flats and parcels given that foreign origin, inbound direct entry mail

tendered by foreign postal operators is entered in commercial or bulk quantities.

- c. Please explain the differences between a bilateral agreement (arrangement) with foreign postal operators for the inbound direct entry of First-Class Mail and an authorization agreement. In the response, please discuss the effect of implementing the handling charge on the eight foreign postal operators that currently have bilateral agreements (arrangements) featuring negotiated rates for direct entry of inbound letterpost bearing the indicia of the respective domestic mail classes. See Response of the United States Postal Service to Chairman's Information Request No. 5, Question 7, Docket No. ACR2010. Also, please explain whether foreign postal operators that have yet to conclude bilateral agreements (arrangements) governing the inbound direct entry of First-Class Mail will have to conclude bilateral agreements prior to, or concurrently with, an authorization agreement.
17. The following question pertains to the handling charge for foreign-origin, inbound direct entry of First-Class Mail Single-Piece Machinable Letters, Postcards, Flats, and Parcels, and the cap calculation for First-Class Mail. Please explain where the \$0.001 handling charge and the volume of inbound direct entry First-Class Mail for the hybrid fiscal year are included in the cap calculations for First-Class Mail.
18. Please refer to Library Reference USPS-LR-R2012-1/NP1, Excel file Inbound CAPCALC-FCMI-R2013.xls, and worksheet tab Inbound FCMI Rates. Table 5 shows a decrease in the provisional terminal dues rates between CY 2012 and CY 2013. Please explain what caused the decrease in the provisional terminal dues rates between CY 2012 and CY 2013.

19. Please refer to Library Reference USPS-LR-R2012-1/NP1, Excel file Inbound CAPCALC-FCMI-R2013.xls.
 - a. For worksheet tab VOLUME & KG UPDATE, please provide the source of the volume and kilograms for inbound “S-LC/AO” and “A-LC/AO” by country code shown in the columns which appear under the heading Q1 FY11 and Q2-4 FY11.
 - b. For worksheet tab VOLUME & KG UPDATE, please explain why the sum of the volume and kilograms columns for inbound “S-LC/AO” and “A-LC/AO” which appear under the heading FY 2011 are not the same as the sum of the foreign origin Pieces and Gross Kg in the “alc” and “sao” columns presented in Library Reference USPS-FY11-NP2, Docket No. ACR2011, in the Excel file Reports.xls, and the worksheet tab ICRA Database.

20. Please refer to Library Reference USPS-LR-R2012-1/NP1, Excel file Inbound CAPCALC-FCMI-R2013.xls.
 - a. Please refer to worksheet tab Inbound Revenue Calculation under CY 2012 and CY 2013 Terminal Dues Rates in the columns headed “Target Transition.” For Country Codes 717, 721, 800, 810, 880, and 916, please provide a source(s) to a UPU document showing the referenced countries identified by a “1” are target system countries for the stated calendar years.
 - b. Please refer to worksheet tab Inbound Revenue Calculation under CY 2012 and CY 2013 in the columns headed “LC/AO sdr/kg” (Columns P and T, respectively). For Country Codes 800 and 916, please provide a source(s) to a UPU document showing the terminal dues rate for the stated calendar years.
 - c. Please refer to worksheet tab Inbound Revenue Calculation under CY 2012 and CY 2013 in the columns headed “LC/AO sdr/kg” (Columns P

and T, respectively). Also, please refer to Library Reference USPS-FY11-NP2, Docket No. ACR2011, in the Excel file Inputs.xls, worksheet tab UPU Rates CY2, which identifies the following country codes as subject to the UPU revision mechanism: Country Codes 717, 859, and 971. Please explain why the terminal dues rates in the columns headed “LC/AO sdr/kg” for the referenced country codes do not reflect the terminal dues rates established by the revision mechanism.

- d. Please refer to the worksheet tab Inbound FCMI Rates, Table 5, which shows the CY 2012 and CY 2013 per item and per kilogram Target System Provisional Terminal Dues Rates for Inbound First-Class Mail International. Also, please refer to worksheet tab Inbound Revenue Calculation and the CY 2012 and CY 2013 Terminal Dues Rates under the columns headed “LC/AO sdr/kg” and “LC/AO sdr/pce” (Columns P and Q, and T and U, respectively). Please explain why some countries identified as target system countries by a “1” in the columns headed “Target Transition” use per item and per kilogram terminal dues rates that differ from the CY 2012 and CY 2013 Target System Provisional Terminal Dues Rates shown in Table 5. See for example Country Code 706. Please provide a source for terminal dues rates that differ from Table 5.

By the Chairman.

Ruth Y. Goldway